

Mary Paquet

PILOT PROJECT

Energy and its ownership to Aboriginal Peoples.

A joint Federal-Territorial study of northern food costs will be conducted on an experimental basis in the Baffin area.

- (i) determine the elements (e.g., transportation, retail costs, warehousing, etc.) contributing to high food costs and assess the extent to which any one or more of these factors are responsible for the increase in food prices;
- PROPOSAL FOR A JOINT**
- (ii) identify and evaluate the options available to the government should enact **FEDERAL-TERRITORIAL** legislation to combat **PILOT PROJECT ON NORTHERN FOOD COSTS** rising prices for specific nutritious foods initially and also to overlap and apply to other food items and,
- (iii) propose a government action plan to stabilize rising food costs and test various mechanisms in the Baffin region to assess the effectiveness of various initiatives prior to widespread application in other affected areas.

This study could be accommodated under Program 2 2.1, Intersettlement Trade and 4.0, Community Based Planning of the General Development Agreement. The study is consistent

PROONENTS:

objectives (a) and (c) and will in the long run promote and indirectly benefit Northern Economic Planning Branch, D.I.A.N.D. Research and Planning, Department of Economic Development and Tourism, G.N.W.T.

The study will allow communities to become involved and informed in basic aspects concerning their own economic conditions to contribute to their social environment and improve quality of life;

Over the long run, individuals and communities may benefit from a greater awareness of the factors contributing to high food prices and this will provide further information to enable communities to solve other problems and facilitate better planning;

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NORTHERN FOOD COSTS PILOT PROJECT

Purpose and Relationship to Agreement Objectives:

A joint Federal-Territorial study on northern food costs will be conducted on an experimental basis in the Baffin to:

- (i) determine the elements (e.g., transportation, retail costs, warehousing, etc.) contributing to high food costs and ^{to} assess the extent to which any one or more of these elements cause food prices to rise,
- (ii) identify and evaluate alternative measures the government should enact in the Baffin region and other affected areas in the Territories to curb rising prices for specific nutritious foods initially and ~~also to overlap~~ and apply to other food items and,
- (iii) propose a government action plan to stabilize rising food costs and test various mechanisms in the Baffin region to assess the effectiveness of various initiatives prior to widespread application in other affected areas.

This study could be accommodated under Program 2 2.1, Intersettlement Trade and 4.0, Community Based Planning of the General Development Agreement. The study is consistent with objectives 2.2 (a) and (c) and will in the long run promote and indirectly contribute to objective (b);

- (a) The study will allow communities to become involved and informed in basic aspects concerning their own economic conditions to contribute to their social environment and improve quality of life;
- (b) Over the long run, individuals and communities may benefit from a greater awareness of the factors contributing to high food prices and this will provide further information to enable communities to resolve other problems and facilitate better planning;

(c) This study will be a joint Federal-Territorial effort and will promote a greater degree of coordination in the activities and programs of both levels of government in coming to grips with food costs in the Baffin region and in other affected areas in the North.

Overview of Study

There will be three phases to the study including,

1. review and evaluation of existing research, projects and programs (e.g., Northern Saskatchewan food subsidy program, Frobisher Bay distribution program, Labrador food survey, studies by Federal departments, etc.) to determine the effectiveness of programs and research to deal with the situation,
2. identification and analysis of the factors and extent to which they contribute to rising food costs (e.g., transportation, retail costs and mark-ups, warehousing, etc.) and,
3. identification and evaluation of initiatives the government could adopt to curb rising food prices in the Baffin region and other affected areas in the Territories.

Decision Required:

Consideration of the proposal by the G.D.A. Management Committee to approve funding and implement the first phase of the study. The funding would cover the incremental costs incurred in conducting the study and would be based on reimbursing costs.

(Details of costs are shown in the attached study proposal).

BACKGROUND

Introduction

Food costs have long been a contentious subject in most northern communities, particularly in remote and isolated areas such as the Baffin region. The long distances, limited accessibility and poor transportation links between most remote communities and southern supply points cause supply shortages and exert upward pressure on food prices.

In the past few years, groups such as the Inuit Tapirisat of Canada, Baffin Regional Inuit Association and NWT Consumers Association have strongly criticized food prices and the costs of transporting food stuffs to the Territories. These groups have expressed concern over the inadequate supply and high price of specific nutritious foods (fresh fruits and vegetables, frozen meat and unsweetened fruit juices) and have demanded that joint Federal-Territorial action be taken to subsidize the *furthermore* transportation costs for these foods. The 1975 Food Prices Review Board study also recommended that transportation costs for specific food items be subsidized in the North by DIAND.

Studies have been conducted by various Federal Departments including Health and Welfare and Transport to examine food costs and nutrition in the North. These studies however have not resulted in positive action to stabilize food costs.

Over the past few years, research into food costs and nutrition in the North and related areas of the Provinces has grown and basic knowledge on this subject has expanded. For the most part, research efforts have been fragmented and consequently, a great wealth of information is scattered throughout various documents and between government agencies and other organizations.

PROJECT INFORMATION

Study Scheme

The pilot project will be conducted in three phases and will be directed towards:

1. review and evaluation of existing research and programs dealing with the issue,
2. identification and assessment of the factors that are responsible for rising food costs and,
3. identification and evaluation of measures government could pursue to stabilize the high cost of specific nutritious foods in particular but to also apply to a broad range of food items in the Baffin region and affected areas in both northern Territories.

The first two phases of this project will not involve a new initiative since a great deal of information is currently available on the subject. However, this material is scattered throughout various documents, research groups and government agencies and must be systematically coordinated and reviewed to evaluate the problem and avoid duplication of existing efforts and programs. Phases one and two will essentially involve an evaluation of present research, initiatives and past experiences to deal with this issue. The third phase of the project will represent a new thrust in terms of evaluating alternatives and developing a government action plan that may be implemented and tested in greater detail to stabilize rising food costs in the Baffin region and other affected areas in the North.

The Baffin region has been selected as an appropriate area to conduct the study and determine solutions that have widespread application in other affected areas in the North. Four communities have been proposed as representative locations to collect information and identify and test the appropriate measures to enact; the four include

Pond Inlet, Pangnirtung, Broughton Island and Igloolik. Two full-time Federal analysts and one full-time Territorial analyst will be involved in investigating several areas of the project. Additional manpower will be utilized from time to time (on a contractual basis) as the needs arise. (No funding will be allocated for the salaries of the 3 government analysts since existing budgets will accommodate these costs, although travel expenditures directly related to the project would be financed through the GDA program). Contracts will be let with consultants and native and community groups (I.D.C., B.R.I.A., etc.) to collect information and data. Contract costs will, in some cases, be shared jointly between various parties whereas in other instances, incremental costs paid to third parties and directly related to the project could be funded through the programs in the General Development Agreement, pending the approval of the G.D.A. Management Committee. It has been suggested that a green paper could be prepared on the results and conclusions of the investigations and be distributed and translated to Inuit for public review. (This suggestion will be given careful consideration and will be dependent on the extent to which information may be released to the public). Some generalized information could be made available to assist the public in such key areas as transportation, storage, etc.

BUDGET AND SCHEDULE:

- | | | |
|----------------|--|-----------|
| Phases 1 and 2 | - 3 to 6 months to complete | - 1980-81 |
| | - 6 months to analyze data,
consult with native groups
and communities on solutions. | - 1981-82 |
| | - 1-2 months to prepare a summary
of results, conclusions and
recommendations. | |

Anticipated Duration of Project: August 1980 - October 1981.

DESCRIPTION:

The pilot project will be divided into three phases:

Phase 1

Review and evaluation of existing initiatives, projects and research related to food costs in the Northwest Territories and the northern areas of the Provinces (e.g., Northern Saskatchewan food subsidy program, Frobisher Bay distribution program, Labrador food survey, studies by Federal departments, etc.)

This phase will identify and assess existing studies and measures that pertain to the circumstances and causes surrounding rising food prices in the Baffin region and in other affected areas of the northern Territories. In addition, it will focus on evaluating the merits of adopting some of the mechanisms applied elsewhere in Canada to curb the situation in the Territories.

At the conclusion of Phase 1, a report will be prepared to summarize the applicability and effectiveness of existing research and programs to take account of circumstances that prevail in the Baffin region and in other affected areas in the Territories. In addition, the report will indicate the steps to be implemented in Phase 2 and the specific areas of further investigation for the succeeding phases of the study.

STEPS TO BE TAKEN

Review of existing information and programs.

Estimated
Cost

- (1) In-house examination of all available research and evaluation of existing programs. (Conducted jointly by Federal and Territorial analysts)

Estimated
Cost

Consultations with other Federal Departments and various persons in the Provinces involved in northern food costs (e.g., Labrador food survey, Northern Saskatchewan food subsidy program, etc). Likely that travel costs will be incurred by Federal and Territorial analysts to travel to Yellowknife, Northern Saskatchewan and other places to consult with relevant people involved in various studies and programs.

Estimated Costs (for travel only) \$10,000

- (2) Analysis to evaluate the merits and effectiveness of the Northern Saskatchewan Food Subsidy Program, Frobisher Bay Distribution Program, as well as other programs and determine applicability to the Baffin region and other affected areas in the Territories. (Possibility of analysis being done on contract by Institute for Northern Studies, Saskatchewan) to cover travel and consulting fees.

Estimated Total Cost to cover travel & consulting fees \$10,000

- (3) Establish points of contact with Baffin Regional Council, B.R.I.A., I.D.C., Hudson's Bay, Cooperative Federation, etc. for cooperation in obtaining information and advice they may offer.
- (4) Summarize relevant information, data and the analysis on the effectiveness of existing programs in a report. Outline in the report the applicability of available research and programs to the situation in the Baffin region and indicate

Estimated
Cost

specific investigations and analyses that need to be implemented in Phase 2 to determine the factors that contribute to high food costs relative to particular mechanisms that can curb the situation.

TOTAL ESTIMATED COSTS (PHASE 1)

\$20,000

Phase 2

Examine and evaluate the extent to which transportation, retail costs and practices, warehousing, etc. contribute to the rising costs of specific nutritious foods such as fresh fruits and vegetables, frozen meat and unsweetened fruit juices in four communities in the Eastern Arctic including Pond Inlet, Pangnirtung, Broughton Island and Igloolik.

Phase 2 will focus on the transportation and distribution network involved in getting the specified food items from the supplier to consumers in the communities and will assess the factors that are inherent in the overall cost structure for the same food items. Existing research and information on intermediate costs will be coordinated and consultations will be held with relevant people to obtain and analyze cost data. The evaluation of the cost structure will compare costs between the four Eastern Arctic communities and identify cost-effective and efficient systems.

A report will be prepared at the conclusion of Phase 2 to summarize the findings of the evaluation into elements and the extent to which they contribute to rising prices in each of the four communities. Some of the cost information will be aggregated and made available to the public to expand public awareness and knowledge on the composition of food prices and to assist the consumer in obtaining information in such key areas as transportation, storage, etc.

STEPS TO BE TAKEN

Evaluation of Cost Structure

	<u>Estimated Cost</u>
(1) Transportation systems and costs.	
Transport Canada will tender a contract to compile data from data on the volume and composition of air and marine freight in the Baffin region. The contract will deal with the costs of transporting fresh fruits and vegetables, frozen meat and unsweetened fruit juices to four communities - Pond Inlet, Pangnirtung, Broughton Island and Igloolik.	
Contract costs to be shared jointly between DIAND, GNWT and Transport Canada.	
Estimated Total Cost (amount paid would include travel and consulting fees and would be dependent on submission of a proposal from a contractor).	\$40,000
(2) Retail costs and practices.	
Federal analysts will consult with Hudson's Bay Co. to obtain information on operating costs, mark-up policy and on the logistics of operations in each of the four communities and in the Baffin region.	
Territorial analyst will consult with the Arctic Federation of Cooperatives and Co-ops in each of the four communities to obtain information on operating costs, mark-ups and on overall operations of the Co-ops. Likely that travel costs will be incurred by Federal and Territorial analysts to travel to the communities to obtain relevant information.	
Estimated Costs (for travel only)	\$10,000

	<u>Estimated Cost</u>
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(3) Warehousing and Other Costs.

In-house examination conducted by Federal and Territorial analysts to determine warehouse (and distribution) costs, facilities and requirements. Government analysts will consult with wholesalers, food retail chains, Hudson's Bay Co. Co-ops, etc.

Warehousing facilities and storage (freezer) capacity, costs, future requirements and the potential for expansion will be evaluated for each of the four communities (Pond Inlet, Pangnirtung, Broughton Island and Igloolik). This evaluation could be conducted and administered by individuals in the community or a contract could be tendered with I.D.C., B.R.I.A., etc.

Estimated (total) cost of a contract (would cover travel costs, administrative (e.g., telephone) expenses and consulting fees).

\$5,000 - \$10,000

Government analysts will consult with food wholsalers, distributors and retailers to determine and assess other intermediate costs (e.g., insurance) involved between food suppliers and the final consumer. Consideration will also be given to how the escalation in energy costs has been passed along in prices paid by consumers and to some of the existing mechanisms ^{as to how} used to reduce transport costs (e.g., Post office, special lower cost routes such as the Timmins route and bulk purchases from private suppliers).

	<u>Estimated Cost</u>
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Pending availability of data from the Isolated Post Allowance survey for each of the four communities involved in the pilot project (survey is tentatively scheduled for February and March, 1981) sample surveys will be conducted in the communities to determine trends in price levels and consumption patterns. Native or community groups or individuals in the communities could conduct these sample surveys.

Estimated costs (include administrative expenses, salaries and any travel costs involved).

\$2,000 - \$5,000

(4) Purchasing Power

Government analysts will assess the family incomes, net discretionary incomes and direct and indirect subsidies (e.g., housing, utilities, etc.) in the four communities involved in the pilot project. Information currently being developed in GNWT Family Income surveys for Pond Inlet and Pangnirtung will be used. In the case of Broughton Island and Igloolik, the same questionnaire could be used to enumerate individuals in these communities. People in the communities (e.g., employment officer, nurse or native groups) could administer and conduct the survey questionnaire on an individual basis.

Estimated cost (to cover administrative expenses such as telephone, materials, supplies and enumerator's salaries).

\$1,000 - \$2,000

Estimated
Cost

- (5) Summary report will be prepared by government analysts on the findings and results of Phase 2. Depending on the extent to which confidential information may be aggregated, some of the information on transportation and warehousing costs, etc. (comparison of air and marine mode transport costs) may be released to the public.

TOTAL ESTIMATED COSTS (PHASE2)

\$58,000 - \$67,000

Phase 3

Based on the research and evidence from Phases 1 and 2, identify and evaluate mechanisms to stabilize the high costs of fresh fruits and vegetables, frozen meat and unsweetened fruit juices in particular, and *furthermore, how these could apply to a* broad range of other food commodities in the Baffin region and other affected areas throughout the Territories. This phase will also assess the feasibility of implementing various schemes and measures relative to the costs and benefits for consumers and the government.

The evidence and research material collected in the previous two phases of the study will be coordinated and an in-depth analysis will be conducted by government analysts to develop and propose a government action plan to curb rising food costs in the Baffin region and other parts of the Territories. The proposed solutions and mechanisms will be subject to testing and strict evaluation in specific communities before being generally applied in other affected areas in the Territories (i.e., in both the Northwest Territories and Yukon).

A final report will be prepared by government analysts to summarize the results and conclusions of the three phases of the study and to propose and outline alternative government mechanisms and programs that can be coordinated at the Federal and Territorial levels to stabilize rising food costs in the Baffin region initially and in other affected areas eventually.

STEPS TO BE TAKEN

- | | Estimated
Cost |
|--|-------------------|
| (1) In-house coordination by government analysts of all research material and information collected. Government analysts will conduct an in-depth analysis to develop a government action plan with specific initiatives designed to stabilize rising food costs in the four communities involved in the pilot project and throughout the region and both Territories. | |
| (2) Various alternative mechanisms will be formulated and assessed in terms of overall costs and benefits to consumers and the government. (Unique characteristics and problems that are specific to individual communities will be isolated and dealt with in terms of an overall program thrust). New schemes will be examined in the context of coordinating some of the existing programs at the Federal and Territorial levels (e.g., Nutrition Education, Food Labelling, Outpost Camp, etc.). | |

Some of the alternatives that will be examined include:

- (i) Improvements to existing transportation and distribution systems.
 - special containerization
 - special air routes

Estimated
Cost

- (ii) New and expanded education programs.
 - Nutrition
 - Food Labelling
 - Cooking Courses
 - Consumer Awareness Programs (Comparison shopping, comparison of distribution and transportation costs)
- (iii) Sea-Lift operations.
 - Examine improvements that could be made (e.g., increase hold capacity, special containerization etc.).
 - Examine ways to allow more people to take advantage of sea-lift (i.e., special funding for natives, financing bulk purchases, etc.).
- (iv) Improvements in Warehousing and in Trans-shipping food.
- (v) Subsidies (on transport costs).
- (vi) Special programs to finance bulk purchases from private suppliers.
- (vii) Inter-settlement trade program.
 - Special programs to bring imported foods in ~~and~~ and also distribute country foods.
 - Guaranteed cargos and space on air craft.

Estimated
Cost

Alternatives will be examined to determine if a combination and/or sequence of mechanisms could be adopted in the Eastern Arctic to have widespread application in other affected areas in the Territories.

- (3) Final report will be prepared by government analysts to summarize results and findings of the study and to propose a government action plan to enact and test in the four communities involved in the pilot project to curb rising food costs. The final report will also specify areas of further investigation and research that may be warranted prior to implementing government initiatives and programs.

TOTAL ESTIMATED COST OF STUDY

\$78,000 - \$87,000

Date Due

FEB 25 '88			
MAR 15 '88			
DEC 14 '88			

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Proposal for a joint Federal -

AUTHOR

territorial pilot project on

TITLE

northern food costs.

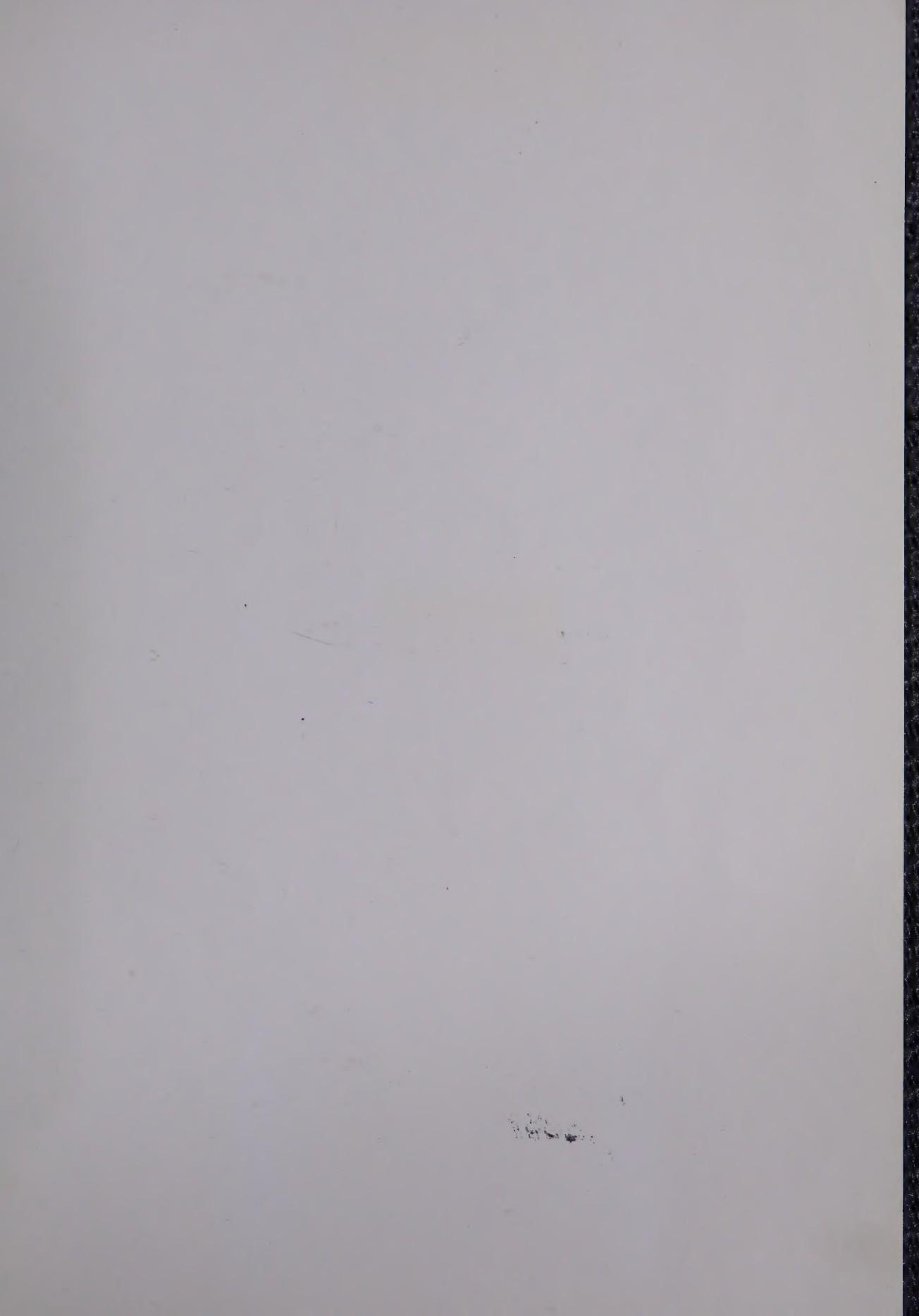
DATE LOANED	BORROWER'S NAME	DATE DUE
	Lorrie McFadden	FEB 25 '88
		MAR 15 '88
		APR 21 '88

Pam: 338.585.3:(*462) NFC

Proposal for a joint Federal
Territorial pilot project on
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